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SIPDIS

SENSITIVE

STATE FOR E, EB/CBED,EB/IFD, AND EUR/SE
DEPARTMENT PASS OPIC AND EXIM, NSC FOR BRYZA,
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USDOE FOR CHARLES WASHINGTON, TREASURY FOR OASIA

E.O. 12958: N/A
TAGS: [EINV](#) [ENRG](#) [ECON](#) [PREL](#) [TU](#)
SUBJECT: DOGA ENERGY'S RESPONSE TO BOT PROBLEMS

REF: A. ANKARA 7103
[1](#)B. ANKARA 6696
[1](#)C. ANKARA 6612
[1](#)D. ANKARA 6423

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[¶](#)1. (SBU) Summary. DOGA Energy sent a letter to us explaining how it has responded to speculative reports attributed to GOT sources about alleged corruption in the DOGA Energy BOT Project. DOGA contends that the contracts were vetted and approved by the relevant GOT authorities. The main source of the allegations is the State Inspection Board's (SIB) report to the President, which disputes the investment costs of the projects and the pricing structure for power generation. The documents were faxed to EUR/SE. End Summary.

[¶](#)2. (SBU) DOGA Energy maintains that the BOT Project, which involves contracts for the 180 MW Esenyurt Natural Gas Power Plant, was established following length discussions with the Ministry of Energy, TEAS, BOTAS, SPO, and the Undersecretariat of Treasury. The project was subsequently review by the Danistay and approved by the Council of Ministers.

[¶](#)3. (SBU) DOGA held a meeting with the State Accounting Bureau and explained with supporting documents that the allegations in the 2001 Report of the Supreme Council of State Accounts (Sayistay) were untrue. In addition, all the necessary information and documents were submitted to the Ministry of Energy's nine-member Inspection Team. Despite these efforts, the State Inspection Board (SIB) repeated the same allegations in a recent Electricity Market report to the President of the Turkish Republic and to the Parliament. The allegations were published on the Presidential website and also obtained by the press. DOGA argues that, although there are no supporting documents for the allegations, the report is making unjust accusation against its company.

[¶](#)4. (SBU) Like ENRON (reftels), DOGA is complaining about the number of unnecessary audits and investigations that are underway against the company. According to DOGA, Ministry of Finance inspectors have conducted the required audits on the accounts and transactions of DOGA Energy for 1998 to 2001, but the audits are now being repeated for the same years due to the allegations in the SIB report. DOGA notes that no irregularities or corruption will be found in the project.

[¶](#)5. (SBU) DOGA asserts that the allegations set forth in the SIB report are the result of miscalculation due to the lack of information. Some of the allegations are listed below:

-----Allegation 1: The contract was signed without a precise investment amount.
DOGA's Response: Both the implementation contract and its annex, the feasibility report state the investment amount clearly. The implementation contract was signed following the approval of the Feasibility Report of the Company's application that was submitted to the Ministry of Energy in accordance with Law no. 3096 and the decree was published in the Official Gazette dated September 04, 1995 with number [118858](#).

-----Allegation 2: The Esenyurt Natural Gas Power Plant Project has applied repetitive escalation to its investment amount.

DOGA's Response: A high escalation ratio during the investment period is untrue. BOT model is a financing model; the escalation ratio that was applied to this project during the investment period is even lower than the escalation ratio that is widely applied at the international level.

-----**Allegation 3:** The SIB report claims that when the productivity increased (from 120 MW to 180 MW) due to a change in the type of power plant, the gas energy prices should have decreased.

DOGA's Response: Gas prices were increased, which caused an additional payment to the state natural gas monopoly BOTAS. Moreover, neither the change (3 gas turbines instead of 2 gas turbines and capacity increase with one steam turbine) has increased the efficiency.

16. (SBU) Comment: GOT officials have on several occasions suggested to us that the DOGA Energy BOT is somehow violating its contract. Consequently, the GOT will pursue different action with DOGA than it is with other BOT projects, such as ENRON. Given growing negative perceptions about Turkey's investment climate, we have warned the GOT that taking drastic actions against DOGA would be counterproductive and have urged officials to consider the rule of law and to treat DOGA openly and justly. End Comment.

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